

Foreign Policy Agency Reorganization in the 105th Congress

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Summary

On April 18, 1997, the Clinton Administration announced a plan to reorganize the foreign policy agencies. The two-year plan would require significant internal restructuring of the State Department, and eliminate two other agencies—the Arms Control and Disarmament Agency (ACDA) and the U.S. Information Agency (USIA) whose functions and personnel would be absorbed by State. It would integrate ACDA into State within the first year, and USIA into State by the end of 1999. The implementation process would begin after a 120-day planning period. The U.S. Agency for International Development (USAID) would remain a separate agency with its own appropriation, but would be brought under the direct authority of the Secretary of State.

Administration interagency task forces reviewed and analyzed the possible options for consolidating and restructuring the potentially affected agencies. Reportedly, a draft reorganization plan, including some major unresolved issues, was submitted to the Office of the Secretary in mid-1997. Selected elements of the proposal have been implemented in the period since, although a complete consolidation had to await enactment of explicit authorization.

Congress debated reorganization of the foreign affairs agencies in the context of foreign relations authorizing legislation for FY1998/99, consideration that spanned most of the 105th Congress. Although the House and Senate approved bills in June 1997 (H.R. 1757 and S. 903), conference negotiations continued for over nine months. During this time, the reorganization issue, which conferees had resolved in November, became entwined with other foreign policy controversies in dispute between Congress and the President, including international family planning policy and abortion restrictions, U.N. reform and arrears payment authorization, and U.S. contributions to the International Monetary Fund. As approved by the House (March 26, 1998; voice vote) and by the Senate (April 28; 51-49), the conference report on H.R. 1757 directed the President to 1) abolish ACDA and USIA and merge them into the State Department, 2) establish the Broadcasting Board of Governors as an independent agency, and 3) maintain USAID as a separate agency but require the Administrator to report directly to the Secretary of State.

After President Clinton said he would veto the bill primarily because of the abortion provision, congressional leaders held H.R. 1757 until the end of the 105th Congress. On the eve of adjournment, Congress lifted the foreign affairs agency consolidation authorization from H.R. 1757 and attached a slightly revised version to the Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999. President Clinton signed the omnibus measure on October 21, 1998 (P.L. 105-277). Congress also sent to the White House H.R. 1757, legislation that the President vetoed on October 21.

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Abstract

Reorganization of the foreign policy agencies has been debated by both the 104th and 105th Congresses. As enacted in P.L. 105-277, the reorganization authority, among other things, would require consolidating the Arms Control and Disarmament Agency (ACDA) and the U.S. Information Agency (USIA) into the Department of State. It would require that the U.S. Agency for International Development (USAID) be reorganized and would come under the authority of the Secretary of State. This report provides background on the foreign policy agency consolidation issue, discusses foreign policy implications, and tracks legislation. It will be updated as related activities occur.

Introduction

On April 18, 1997, the Clinton Administration announced a plan to reorganize the foreign policy agencies. The two-year plan would require significant internal restructuring of the State Department, and eliminate two other agencies—the Arms Control and Disarmament Agency (ACDA) and the U.S. Information Agency (USIA) whose functions and personnel would be absorbed by State. It would integrate ACDA into State within the first year, and USIA into State by the end of 1999. The implementation process would begin after a 120-day planning period. The U.S. Agency for International Development (USAID) would remain a separate agency with its own appropriation, but would be brought under the direct authority of the Secretary of State.

The House passed its version of the Foreign Relations Authorization Act (H.R. 1757, introduced June 3, 1997) on June 11. Division A of H.R. 1757 consisted of provisions for the consolidation of the foreign affairs agencies. As reported, the legislation included a somewhat different reorganization plan, crafted largely by House International Relations Committee Chairman Gilman, than proposed by the President. During floor debate, the House rejected an amendment by Congressman Hamilton that would have provided fewer requirements and greater presidential flexibility than the Gilman plan. Prior to final passage and in the face of a possible veto, the House approved compromise reorganization language, worked out between Congressmen Gilman and Hamilton, that was acceptable to the Administration.

The Senate Foreign Relations Committee marked up and ordered reported its version of the Foreign Relations Authorization Act (S. 903) on June 13, producing a consolidation plan that also diverged in several key ways from the President's initiative. Provisions that would move more of USAID into the State Department and require the budget for development assistance programs to pass through the Secretary of State were elements especially opposed by the Administration. Senate floor debate on S. 903 produced no significant changes to the Committee-endorsed consolidation plan.

House and Senate conferees met in late July to work out differences between the bills, but did not come to final agreement, mainly because of a contentions disagreement over an international family planning provision in the House version of the bill. Without further movement on H.R. 1757, efforts were made near the end of the first session to attach a modified agency consolidation authority to other legislation, including the District of Columbia appropriations bill (H.R. 2607) which passed the Senate on November 9. The revised text reflected resolution of House/Senate disagreements between the two reorganization proposals worked out during conference meetings on H.R. 1757. In particular, the modified language accommodated, to some extent, Administration concerns regarding Senate provisions moving USAID closer to the State Department. Nevertheless, a final legislative attempt collapsed on November 13 when House

leaders proposed to combine three top Administration priorities—foreign affairs agency consolidation, International Monetary Fund appropriations, and U.N. arrearage payments—in a new legislative package with international family planning abortion-related restrictions. The White House said it would veto any legislation containing the family planning conditions, and House leaders abandoned plans to vote on the measure during the final two days of the session.

On March 10, 1998, a conference report for H.R. 1757 was filed. In addition to the reorganization provisions that were agreed to in November 1997, the conference report included (among other provisions) authorization of appropriations for the State Department and related agencies, U.N. reform and payment of U.S. arrears to the United Nations, and international population funding restrictions. The legislation passed by voice vote in the House on March 26. The Senate passed the legislation on April 28, 1998 with a vote of 51 to 49. The President stated he would veto the bill primarily because of the abortion funding language. Because of the threatened veto, Congress held the legislation until the end of the 105th Congress, at which time it was sent to the White House and vetoed by President Clinton on October 21, 1998.

Expecting the President's veto, however, Congress lifted major portions from H.R. 1757, including slightly revised foreign affairs agency consolidation authorization, and attached it to the Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999 (H.R. 4328). Under the terms of the omnibus measure, which the President signed on October 21, 1998 (P.L. 105-277), ACDA will merge into the State Department by April 1, 1999 and USIA by October 1, 1999. USAID must be reorganized, and its press office and some administrative offices merged into State by April 1, 1999.

Background and Political Context

Context for Debate in the 105th Congress on Reorganization

Following a contentious debate in the 104th Congress, capped by President Clinton's veto of legislation requiring the termination of one of three foreign policy agencies, the context surrounding congressional consideration of the Executive's most recent reorganization proposal has changed significantly. Not only is the current plan a Presidential initiative, rather than one imposed by Congress, but it has also been a key element in a complex, inter-related set of broader foreign policy issues—the Chemical Weapons Convention, U.N. reform and arrearage payments, and international affairs budget levels—discussed by Congress and the Executive branch during 1997.

Shaping the President's 1997 Initiative

Since late 1996, many close foreign policy observers had anticipated a White House initiative to consolidate U.S. foreign affairs agencies. Although the Administration rejected congressional proposals in 1995 to reorganize these bureaucracies, key Executive officials, primarily in the State Department, continued to believe that the merger of ACDA, USIA, and USAID with the Department would make for more coherent U.S. foreign policy decision-making and make better use of scarce resources. Moreover, many believed that in the absence of a White House plan, Congress would once again target the foreign policy agencies for reorganization, possibly in ways that even consolidation proponents within the Administration would oppose. Some argued that in order to protect Presidential prerogatives to structure the executive branch, the White House should construct a plan in advance of proposals that might emerge early in the 105th Congress.

Indication that agency consolidation issues were under consideration came during the January 8, 1997, confirmation hearing of Secretary of State-nominee Madeleine Albright. In response to several questions, she told the Senate Foreign Relations Committee how “important [it is] for us to have an effective and efficient foreign policy mechanism.” The Secretary-designate stated that she had an “open mind” on the question of consolidation and pledged to discuss the issue further with the Committee.

In the ensuing weeks, however, the reorganization issue reportedly became embedded in a broader agenda of State Department and White House national security priorities that required congressional attention in early 1997. At the top of the Administration’s list was gaining quick Senate approval of the Chemical Weapons Convention (CWC) before the pact went into force, with or without U.S. ratification, on April 29, 1997. The CWC was strongly opposed by Chairman Helms, and had been bottled up in the Senate Foreign Relations Committee for months. The State Department had also begun a vigorous campaign in late 1996 to raise concerns about the adequacy of U.S. foreign policy and diplomatic funding resources, a strategy setting the stage for an FY1998 \$19.45 billion (up 6.3%) International Affairs budget request submitted on February 6. A third high-priority item on the White House’s early 1997 foreign policy agenda was congressional approval of about \$1 billion to clear U.S. arrears at the United Nations and for peacekeeping contributions, an initiative many in Congress wanted tied to U.N. management, organizational, and financial reforms.

Although none of these issues were explicitly linked with one another, it was the view of many close congressional and White House observers that if the President expected Congress to consider his priority proposals, especially CWC, the Administration must be prepared to work with lawmakers on advancing key congressional issues, such as U.N. reform, submission of certain arms control treaties to the Senate, and foreign affairs agency consolidation. Labeled as a coincidence, movement on the CWC and reorganization issues began almost simultaneously. On April 17, while the Senate leadership announced that it would schedule debate on CWC for the following week, the White House was preparing its statement, made the next day, that it would merge USIA and ACDA into the State Department, and bring USAID directly under the guidance of the Secretary of State.

Agency Consolidation Debate in the 104th Congress

Throughout 1995 and into 1996, both the Administration and Congress considered options to reorganize the structure of U.S. government foreign policy agencies. At issue was how best to tighten the foreign policy budget while maximizing the effectiveness of inter-agency coordination in working toward common foreign policy goals in an ever-changing post-Cold War world. Critics of U.S. foreign policy management practices charged that these agencies at times maintained conflicting agendas, housed duplicative functions and bureaus, and often did not give proper emphasis to national priorities, such as promoting U.S. economic trade and economic interests abroad.

After the White House rejected the outlines of a State Department plan to consolidate the agencies—a proposal strongly opposed by USAID, ACDA, and USIA—Senate Foreign Relations Committee Chairman Helms announced his own initiative on March 15, 1995. The original Helms plan would have eliminated all three agencies, and created what Senator Helms characterized as a “new,” more effective State Department with some of the functions of the eliminated agencies merged into it. An “America Desk” would have been established in the State Department to ensure that all U.S. foreign policy contributed to American national interests.

With continued White House opposition, Senate democrats successfully blocked debate on Foreign Relations Committee-reported legislation (S. 908) that followed Chairman Helms' plan. Following several months of negotiations, Senate leaders reached agreement (which was adopted by the full Senate on December 14, 1995) on a compromise proposal to consolidate U.S. foreign affairs agencies. The agreement, however, did not require the Administration to abolish agencies, but mandated \$1.7 billion budget savings in program and operating expenses.

A House reorganization bill (H.R. 1561) that like the initial Helms proposal, also abolished USAID, USIA, and ACDA, folding their functions into State with newly-created Under Secretary positions, had already passed on June 8, 1995. Ultimately, House and Senate negotiators agreed on a plan to abolish one agency, to be selected by the President, but widely assumed to be ACDA. The President also had to certify: 1) that his own foreign policy consolidation plans would save \$1.7 billion over four years, and 2) that the preservation of the remaining two agencies was important to U.S. national interests. President Clinton, however, vetoed the bill (H.R. 1561) in early April 1996, for a number of reasons, including agency consolidation requirements that he said jeopardized the President's ability to manage his own executive agencies. The House could not override the veto, and the issue did not resurface in the 104th Congress.

Role of Congress in Agency Consolidation: Procedural Issues

At the outset of the White House initiative to consolidate the agencies, it was clear that Congress would have some degree of influence over the shape of the plan, as well as the power to approve or reject it. With several options available to Congress and the executive branch in the approval and implementation procedure for agency reorganizations, it was unclear exactly how the process would unfold. Because the plan included the creation of new State Department positions, such as Under Secretaries for Arms Control and International Security and for Public Diplomacy, at a minimum, Congress must amend the State Department Basic Authorities Act (P.L. 84-885, as amended) to enact these and other organizational changes. For the broader details of reorganization, several scenarios and options were available to the President and lawmakers.

Congressional Consideration under Presidential Reorganization Authority

An early option preferred by the White House was the reinstatement of a currently dormant presidential authority to reorganize the executive branch. Although such authority ultimately requires Congress to approve the President's plan, it provides for far less direct congressional involvement than through the normal legislative process. With the objective of achieving greater efficiency in government, Congress, since the 1930s has granted the Chief Executive authority to issue executive orders and, since 1939, plans proposing reorganizations within the executive branch. This authority has been issued for temporary periods of time, and renewed by Congress periodically. The most recent reorganization authority expired in 1984, and Presidents Reagan, Bush, and Clinton did not ask for its reinstatement.

At the time of its expiration in 1984, the reorganization authority (see 5 U.S.C. 901-912) provided that, once the President submitted his plan, Congress must adopt a joint resolution within 90 calendar days of continuous session for it to become effective. Although the President could modify his own proposal within the first 60 calendar days of continuous session after its submission, Congress could not amend the Chief Executive's plan—lawmakers could only vote up or down on the recommendation. One potential problem with this approach was that it largely took the issue out of the hands of the most active proponents for consolidation in the 104th Congress. Under the statute that expired in 1984, such reorganization plans were not referred to the committees of policy jurisdiction—in this case, the House International Relations and Senate Foreign Relations Committees—but to the House Government Reform and Oversight and Senate Governmental Affairs panels.

Implementation through Normal Legislative Process

Without reorganization authority, the proposed foreign affairs agency consolidation would proceed through normal legislative process. In recent years, the Departments of Energy, Education, and Veterans Affairs were created in this fashion. Under one possible scenario that appeared plausible in May 1997, following the Administration's 120-day review process, the President would draft the necessary legislation to implement the reorganization and submit it to Congress for consideration, probably in September or October 1997. Congress could then choose to deal with the legislative proposal as either a separate bill or incorporate it into omnibus foreign policy legislation as it did in the 104th Congress (H.R. 1561). Timing for the latter option, however, was awkward since the House and Senate Foreign Relations Committees were about to act on omnibus foreign affairs authorization bills, action that would come well in advance of the anticipated submission by the President of his formal plan.

Legislative Status of Reorganization Authority

Legislative authority enacted on October 21, 1998, in the Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999 (P.L. 105-277) combines elements of both approaches outlined above. The statute grants the President authority to draft and submit to Congress by December 20, 1998 a foreign affairs reorganization plan. At the same time, P.L. 105-277 legislates certain mandatory elements that must be contained in a presidential plan, including the abolishment of ACDA, USIA, and IDCA,¹ and the streamlining of USAID. Once submitted, the President may amend his plan at any time prior to its effective date. For ACDA, IDCA, and USAID, the required steps must take place by April 1, 1999, while USIA must be abolished and consolidated by October 1, 1999. The authority does not require Congress to vote on the proposal prior to its implementation, but should lawmakers attempt to reject or make significant modifications to the President's plan through regular legislation, they would most likely have to overcome a veto.

Mandatory Elements of Congressional Plans

Although legislation approved by both the House and Senate permitted the President to shape much of the reorganization proposal according to plans developed by Executive branch working groups, lawmakers established a series of items that must be included in any consolidation

¹ The International Development Cooperation Agency (IDCA) was created in 1979 to be the overall coordinator of U.S. development assistance policy. Although the agency continues to exist, it has functioned in an extremely minimal capacity for the past 18 years and has frequently been a target for elimination.

scheme drafted and submitted to Congress by the President. Several of the Senate-passed mandatory reorganization elements closely followed the House plan, but with the addition of a few key directives, especially those affecting U.S. international broadcasting activities and USAID. The revised reorganization act passed by Congress on October 20, 1998 and signed into law (P.L. 105-277) by the President on October 21, 1998 requires the President to submit a final report by January 1, 2001 providing a final accounting of the finances and operations of the agencies abolished by the Act. Other details follow:

- **ACDA.** The *House* and *Senate* plans passed in H.R. 1757 and S. 903 would have required that ACDA be abolished by October 1, 1998, that its functions be transferred to the Secretary of State, and that the Department of State create an Under Secretary for Arms Control and International Security. *P.L. 105-277* adopts this same approach, but sets April 1, 1999 as the date for abolishing ACDA.
- **USIA.** H.R. 1757 passed by the *House* would have required that USIA be abolished by October 1, 1999, its functions transferred to the Secretary of State, that the International Broadcasting Bureau maintain a degree of independence, and that the Department of State create an Under Secretary for Public Diplomacy. The *Senate* measure also would have required that USIA be abolished by October 1, 1999, its functions transferred to the Secretary of State, and the Department of State create an Under Secretary for Public Diplomacy. The *Senate* differed from the *House*, however, by establishing the Broadcasting Board of Governors as an independent entity by October 1, 1999. *As enacted in P.L. 105-277*, USIA must be consolidated into the Department of State by October 1, 1999. International broadcasting functions are not transferred to the Secretary of State, but are maintained as a separate entity in the executive branch. The statute further includes the Zorinsky Amendment and Smith-Mundt language prohibiting public diplomacy programs unique to the USIA from operating domestically.
- **IDCA.** The *House* proposal would have required that IDCA be abolished by October 1, 1998, and its functions transferred to another agency or agencies. The *Senate* version would have required that IDCA be abolished by October 1, 1998, and its functions, including the allocation of economic assistance funds to USAID, be transferred to the Secretary of State. IDCA functions regarding OPIC were to be transferred to USAID. Other IDCA functions, and those of USAID, would be transferred to another agency or agencies as specified by the President's reorganization plan. *The enacted legislation* sets the deadline at April 1, 1999, but otherwise generally follows provisions of the *Senate*-passed bill.
- **USAID.** The *House* would have required that USAID be reorganized by October 1, 1999, that it report to and be under the direct authority and foreign policy guidance of the Secretary of State, and, at a minimum, the functions of its press office and certain administrative functions be transferred to the Department of State. The *Senate* would have required that USAID be reorganized by October 1, 1998, the USAID Administrator serve under the direct authority of the Secretary of State, the Secretary of State assume responsibility for coordinating (including the design of overall aid and economic cooperation strategy) all U.S. economic assistance programs, and, at a minimum, the functions of USAID's offices of legislative affairs, and press and public affairs be transferred to the Department of State.² *P.L. 105-277* mandates USAID reorganization by April 1, 1999; requires

² The *Senate* bill further includes a non-binding sense of the *Senate* that OMB should apportion all funds for U.S.

the USAID Administrator to report to and be under the direct authority and foreign policy guidance of the Secretary of State; establishes the Secretary of State as the coordinator of all U.S. economic aid programs, including “approving” (but not “designing,” as in the Senate bill) overall aid strategy; and transfers USAID’s press office and certain administrative functions to State, as proposed by the House.

The Administration’s Proposal and Actions

While Congress debated legislation concerning certain aspects of a consolidation of U.S. foreign affairs agencies, the Clinton Administration was in the process of developing details of a comprehensive plan to what it considers will “adapt Cold War policy structures to the post-Cold War policy agenda.”

Description

The Administration states that sustainable development, nonproliferation and public diplomacy are more central than ever to American foreign policy. The foreign policy apparatus should reflect that, pulling the best people and practices from each agency to carry out U.S. foreign policy through the coming era. After a 120-day planning period, which concluded in late August 1997, the Administration proposed to phase in over a two-year time period the integration of ACDA and USIA, and partial integration of USAID into State. The Administration proposed completion of its reform plan by the end of 1999, with the promise of a streamlined and more effective foreign policy structure before the 21st century.

Within the first year, ACDA would be fully integrated into the State Department’s Political-Military Bureau (PM). The new Under Secretary for this bureau would also carry the title of Senior Adviser to the President and the Secretary of State for Arms Control, Nonproliferation, and Disarmament. This official would attend and participate in all relevant meetings of the National Security Council and the Principals Committee or its equivalent. The new Under Secretary would communicate with the President and members of the NSC on issues of arms control, nonproliferation and disarmament through the Secretary of State. This official would lead the interagency process on nonproliferation issues, and work closely with the NSC staff in managing the arms control policy process.

Also within the first year, USIA’s Legislative and Public Affairs offices would be fully merged into State. Until the completion of the reorganization, the Administrator of USIA would also function as the Under Secretary of State for Public Diplomacy. USAID would be placed under direct authority of the Secretary of State; its appropriations, however, would remain separate.

During the second year of implementation of the Administration proposal, USIA’s Administrative functions, the Information Bureau (Broadcasting) and Educational and Cultural exchanges would become integrated into the State Department. USAID’s press office would be integrated into State. Later in the process, the two agencies would seek to improve coordination of the regional bureaus. Beyond that, the USAID Administrator and Secretary of State would attempt to further reform both agencies to eliminate duplication between USAID’s and State’s functional bureaus.

foreign assistance programs, including those administered by USAID, directly to the Secretary of State instead of to the head of other Federal agencies.

Actions

In mid-1997, the Administration formed a number of committees to evaluate various options for implementation of the reorganization plan. Overseeing the entire operation was the Reorganization Steering Committee. It consisted of the Deputy Secretary of State, Mr. Strobe Talbott, Administrator of USAID, Mr. Brian J. Brian Atwood, Director of USIA, Dr. Joseph D. Duffey, and ACDA Director, Mr. John D. Holum, and was chaired by the Secretary of State.

The main work was carried out by a Core Team and specialized task forces. The Core Team included senior level representatives from the affected agencies, and was chaired by Patrick Kennedy, Acting Under Secretary of State for Management. This committee reported to the Steering committee, synthesizing options and making policy recommendations.

Eight specialized task forces were formed which included representatives from each of the agencies involved, as well as labor union representatives. The eight task forces were: 1) arms control and nonproliferation; 2) public diplomacy; 3) press operations; 4) legal operations; 5) legislative operations; 6) development coordination; 7) management and administrative functions; 8) State Department reinvention. The Task Forces analyzed the issues and built a plan with options. A full time planning committee was established to focus and bring together the work done by eight task forces. The planning committee relayed the information to the Core Team.

Reportedly, the task forces transmitted their conclusions to the planning team in mid-August 1997. A draft of the Administration's official reorganization plan was reviewed by the core team and the heads of all the organizations involved. By October 1997, a detailed, but unreleased implementing plan was at the Secretary's desk.

The Administration stated they were seeking ways to keep up the reorganization momentum, in view of the fact that the 105th Congress did not provide reorganization authority during the first session. On December 19, 1997, Secretary Albright announced that ACDA Director John Holum would be "double-hatted" as Acting Under Secretary of State for Arms Control and International Security Affairs.

Implications for U.S. Foreign Policy

One of the primary goals of reorganizing the foreign policy agencies is to eliminate duplication, a frequent source of criticism from Congress. Currently each agency maintains parallel, duplicative operations, such as legislative affairs, administrative bureaus, and press offices. Additionally, some agencies have similarly structured regional or functional bureaus. By eliminating the duplication, it is argued, a more effective, streamlined U.S. foreign policy mechanism would result. Eliminating duplication and merging similar functions into one agency also would likely improve the coordination among foreign policy regional and functional bureaus, thereby improving the efficiency in U.S. decision making and response to world events.

Budget savings was a primary force driving foreign policy agency consolidation during the 104th Congress. The Congressional Budget Office had estimated that \$3 billion could be saved over a five-year period with the congressional reorganizing proposal; the Administration asserted that the Vice President's National Performance Review (NPR) initiative would save as much while keeping the agencies independent. While budget savings are expected to eventually result from a reorganization of agencies, the Clinton Administration did not expect savings to be significant in the early years of plan implementation. Some in the executive branch claimed that budget savings were not viewed as the top priority in implementing the White House plan; reorganizing to achieve a more effective foreign policy apparatus was the key objective, they stated.

Merging most foreign policy activities under the State Department was expected to give the Secretary access to a wider array of foreign policy tools, such as international broadcasting, economic assistance, international exchanges, and international speakers programs. The needs and costs of U. S. overseas posts and embassies were likely to be more transparent after a reorganization. The Secretary would be able to respond more quickly to moving resources and skilled staff to posts where most needed. Further, consolidating agencies would reduce the number of voices (simplify the message) advising the President on any given issue, allowing the President to determine and better execute a foreign policy that is in America's best interest.

Some foreign policy experts, however, were concerned that the reorganization of the foreign policy agencies into the Department of State would further encumber an agency already burdened with too many layers of management and where too many decisions end up on the Secretary's desk. Integrating the ACDA and USIA would further hamper the conduct of foreign policy, they argued, because the Secretary of State would have too many issues to manage. Also, many who follow specific foreign policy activities, such as international broadcasting, international exchange programs, and foreign aid, were concerned that those functions would become less efficiently and effectively managed because political-military-focused managers would be making decisions about priorities, resource distribution, and program funding. To some, this raised the question of whether the programs would be able to maintain the level of credibility they currently enjoy. They wondered whether the State Department could be reformed adequately and quickly enough to administer the many new programs merged into it.³

A few issues were not addressed in the Administration's reorganization plan. For example, the State Department's role in coordination of U.S. government agencies that administer trade and economic issues, international exchange programs that are managed by U.S. government agencies outside of the foreign policy agencies, and refugee issues were not raised.

Implications for Agencies and their Functions

Arguments for reorganizing the foreign policy bureaucracy suffer from a seeming contradiction. On the one hand, the State Department is heavily criticized for management weaknesses. On the other hand, reorganization proposals would likely require the Department and the Secretary to deal with a wide span of control and additional responsibilities. Nevertheless, many believe that State Department reform would only occur when driven by the integration of other agencies and their functions into State.

State Department and Foreign Policy Management

The State Department, established in 1789, has a mission to advance and protect the worldwide interests of the United States and its citizens. Currently the State Department represents American interests on behalf of 50 U.S. government agencies and organizations operating 249 posts in over 180 countries around the world. The Department employs an estimated 18,869 full time staff, down from 19,110 in FY1996. The FY1999 budget for State is about \$4.4 billion, up from \$4 billion enacted for FY1998.

Proponents of foreign policy agency reorganization, including Senator Helms, former Secretary of State Eagleburger, former National Security Advisor Scowcroft, and others have raised a long list of perceived shortcomings in the Department of State and the foreign policy organizational structure. Criticisms of the State Department include: 1) poor management structures with too

³ On August 8, 1997, Secretary of State Albright sent a memorandum to all employees of ACDA, State, USIA, and USAID stating that, as a first step in the reorganization process, Under Secretaries and Assistant Secretaries would take on greater responsibility in an effort to decentralize the demands of the Secretary of State.

many layers that impede efficient policymaking; 2) too many disputes funneling directly to the Secretary of State, creating decision making overload at the top; 3) too much energy devoted to diplomatic reporting; 4) an elitist attitude among many staff (particularly in the foreign service); 5) an archaic information system that is not compatible with those at ACDA, USIA, or USAID; and 6) a lack of coordination in regional and functional bureaus that undermines consistent policy direction.

Many on both sides of the consolidation issue agree that the Department has suffered from weak management and has been unable to divest itself of Cold War operational standards and adopt a revised set of mission priorities. While the State Department has made some foreign policy downsizing efforts in response to recent budgetary pressures, the changes have been mostly quantitative with little noticeable change in State's policy or management structure, and, according to the General Accounting Office (GAO), it has no strategy for future downsizing efforts.⁴

On their face, many of these views of State Department management deficiencies appear to weigh against merging other agencies with the Department. Critics of merging other agencies into the Department have argue that well-functioning organizations should not be moved into what they view as a dysfunctional agency; that only after the State Department fully implements reforms and integrates new policy priorities should the idea of a "super" State Department be given serious consideration.

Proponents of consolidation, however, countered that the goals of reducing the duplication of functions and achieving better policy coordination can only be achieved by merging currently independent agencies with the State Department and bringing their missions more directly under the authority of the Secretary of State. They asserted that the continuing independence of key foreign affairs agencies contributes to the fractured decision making process and weakens the position of the Secretary of State and ambassadors around the world. Supporters also contended that management reforms within the State Department would be pursued in conjunction with the agency consolidation and would be integral to the success of the effort. Moreover, they stated that the consolidation of external agency responsibilities into the Department will force State to incorporate "non-traditional" yet important foreign policy initiatives into its priorities.

Clinton Administration officials acknowledge that the Department's restructuring is critical to the broader reorganization process. At a White House briefing, the National Performance Review Senior Policy Advisor stated that "reinvention at the State Department is an a priori qualification for doing any other consolidations of other agencies...we've got a reinvigorated State Department that will, hopefully, start dealing with its core problems."⁵

Officials maintain that State's reform effort will be phased in simultaneously as agencies are integrated into State. It is believed that State Department reform will continue to evolve long after the implementation period of the overall reorganization plan. While details of the Administration's proposal are lacking, integrating ACDA and USIA into State will expand the agency horizontally, increasing the number of bureaus and under secretaries. A new bureau for arms control and international security (covering ACDA's activities) and a new bureau for Public Diplomacy (covering USIA's operations) would be established. State's regional and functional bureaus would remain, but would need better mechanisms for coordinating their activities within State and with USAID. Thus, the Secretary of State, it is argued, would acquire the ability to coordinate, to establish accountability, and to have direct access to officials working on all

⁴ State Department: Options for Addressing Possible Budget Reductions, General Accounting Office, August 1996.

⁵ White House briefing on Foreign Policy reorganization by Dr. Elaine Kamarck, National Performance Review Senior Policy Advisor, and Mr. Michael McCurry, White House Press Secretary, April 18, 1997.

aspects of foreign policy. Although consolidating agencies is expected to result in some positions being eliminated, reductions in force (RIFs) at the Department are not being discussed at this time.

On August 8, 1997, Secretary Albright outlined in a memo to staff in all four agencies the “first step” in the reorganization process—to diffuse demands placed at the top in the Department of State by increasing the responsibilities of the Under Secretaries and Assistant Secretaries at State. According to the August 8th memo and followup explanatory memo, the Under Secretaries will serve as the main policy advisers to the Secretary and will function as a “corporate board” on long-term resource and strategic planning matters. Assistant Secretaries are to be the main policy makers, implementers, and issue leaders.

The reorganization law (P.L. 105-277), as passed by Congress and signed by the President on October 21, 1998, creates a new Under Secretary of State for Arms Control and International Security and a new Under Secretary of State for Public Diplomacy. It requires the Secretary of State to submit a report with its congressional presentation document of the budget for FY2000 and FY2001 describing estimated and achieved costs related to the consolidation effort.

USIA and Public Diplomacy

The U.S. Information Agency was established in 1953 to help present the American culture and U.S. government policy to foreign publics. In 1978 Congress merged the State Department's Bureau of Education and Cultural Affairs into the USIA which primarily focused on international broadcasting. Its current estimated staff size is 6,828 – 3,336 domestic positions, 739 Americans overseas and 2,753 foreign nationals. Its FY1999 appropriation is \$1.1 billion, comparable to the enacted FY1998 level.

Most public diplomacy experts agree that broadcasting and international exchange programs are comparatively inexpensive and safe ways to promote U.S. interests and democratic values around the world. Supporters of the reorganization proposal believe that putting international broadcasting in the State Department would strengthen the link between these activities and U.S. foreign policy objectives.

A number of concerns were raised regarding proposals to integrate the U.S. Information Agency into the Department of State. One issue addressed was USIA's mandate required by the Smith-Mundt Act of 1948 and Zorinsky Amendment that bar the USIA from operating domestically and propagandizing U.S. audiences, on grounds that such activities might influence local politics. About 80 percent of USIA's employees come under this law. This restriction is in conflict with many Department of State activities; State's activities currently involve providing domestic press and audiences with foreign policy information, as well as sponsoring forums and town meetings on behalf of the State Department.

P.L. 105-277 addressed this issue by establishing a new Under Secretary for Public Diplomacy. Furthermore, the Act includes language which would continue to apply Smith-Mundt and Zorinsky laws to USIA programs after consolidated into State.

Another concern was whether international broadcasting's credibility with foreign publics in promoting democracy and the U.S. perspective would be weakened if it were administered by the State Department. Some question whether the selection of news stories to be aired and editing of reports would be affected by ongoing State Department activities, such as the Secretary's travel plans to a particular region, imminent trade agreements, or U.S. government actions to gain cooperation from a foreign government. Some observers believe State Department management of U.S. international broadcasting could invite foreign governments to blame the Secretary of State for airing broadcasts viewed by them to be unfavorable.

The Act addressed broadcasting credibility by establishing the Broadcasting Board of Governors as an independent entity within the Executive Branch, effective October 1, 1999. The BBG is required to report to Congress by March 1st each year on Radio Free Europe/Radio Liberty privatization efforts, as required by December 31, 1999 by the Foreign Relations Authorization Act of FY1994/95 (P.L. 103-236), as well as assess continued government funding of RFE/RL in FY2000.

Similarly, some had questioned whether international exchange programs, such as the Fulbright Program, would continue to emphasize cross-cultural understanding or whether they would be diverted to promote political-military goals of U.S. foreign policy. Some have contended that particularly the long-term nature of international exchanges in building relationships could be compromised if resources that might have been devoted to exchanges get diverted to shorter-term crises. Furthermore, many nongovernmental organizations (NGOs) support international exchange activities of the U.S. government. NGOs may not have the trust or be as welcome at State as they were by USIA, some fear. P.L. 105-277 did not specifically address this concern.

Another issue that needed to be addressed was the differing communication systems and operations of each agency. Since USIA's mission is to provide information, it maintains an "open" information system, available to foreign publics. The State Department, on the other hand, keeps a secure communication system. Some experts claimed that keeping both public and secure aspects within one computer system would weaken the secure part. Two separate computer systems may be necessary if the agencies are fully integrated.

Responding to the view that consolidation would reduce expensive duplication, USIA had already agreed that consolidating travel offices, security systems, personnel support and overseas warehouses with State would make sense. However, USIA asserted it has already undergone, more than any other foreign policy agency, a massive restructuring and streamlining effort. Beginning in 1994 USIA consolidated the international broadcasting activities, generating a savings of \$400 million since 1994. During those same years, USIA dismantled its Bureau of Policy and Programs and created the Bureau of Information, 30 percent smaller and more customer-oriented. Additionally, USIA has restructured the Bureau of Educational and Cultural Affairs, delayering it and consolidating offices that manage international exchange programs.

ACDA and International Security

ACDA was established as a small agency in 1961 to be an independent advocate for arms control with direct access to the President. Over the past several years, ACDA and State have worked closely to eliminate unnecessary duplication. ACDA employs about 250 people; this number has been declining for several years. Its FY 1999 appropriation is \$41.5 million, comparable to the level enacted in FY 1998

For the past thirty-five years, ACDA's mandate was to serve as "the central organization charged by statute with primary responsibility" for arms control under the direction of the President and Secretary of State (P.L. 87-297; 75 STAT 631). ACDA was envisioned as a quasi-independent advocate for arms control, and its Director designated the principal adviser to the President, the Secretary of State, and the National Security Council (NSC) on arms control issues.

ACDA's role has now been modified. Although the implications of these changes are not likely to be profound, the primacy of arms control will no longer be codified in law to the degree it has been in the past.

ACDA's supporters credited the small agency with key arms control victories and contributions to U.S. national security since its creation. Since 1961, ACDA was charged with carrying out the following primary functions:

“the conduct, support, and coordination of research for arms control and disarmament policy formulation;

the preparation for and management of U.S. participation in international negotiations in the arms control and disarmament field;

the dissemination and coordination of public information concerning arms control and disarmament; and

the preparation for, operation of, or as appropriate, direction of U.S. participation in such control systems [on-site and remote monitoring activities] as may become part of U.S. arms control and disarmament activities.” (P.L. 87-297. Arms Control and Disarmament Act, September 26, 1961, as amended.)

ACDA pursued these goals with mixed success under Democratic and Republican Administrations. A small agency, ACDA contended with much the larger bureaucracies and priorities of the Departments of State, Defense, Commerce, Energy, and the intelligence community. Nonetheless, the agency credited itself with such arms control victories as continued reductions of strategic nuclear arms, negotiating an end to producing fissile material for nuclear weapons, strengthening the Nuclear Non-Proliferation Treaty and its safeguards, ratifying and implementing the Comprehensive Test Ban Treaty, implementing the Chemical Weapons Convention, enhancing compliance with the Biological Weapons Convention, and negotiating a global ban on antipersonnel land mines.⁶

Many of the concerns raised over ACDA’s integration into the Department of State likely have been mitigated, however. First, the current head of ACDA also serves as the Acting Under Secretary of State for Arms Control and International Security Affairs. Closer integration of arms control objectives with other foreign policy and national security priorities has been underway for some time. In addition, the transition likely will be relatively smooth. Second, the Administration remains committed to retaining ACDA’s technical and policy expertise, as well as its verification, compliance, and legal functions. Reorganization critics were alarmed at the prospect of losing such capabilities, widely seen as indispensable to effective arms control, to a larger State Department culture that did not favor such expertise.

USAID and U.S. Development Assistance Policy

Established in 1961, the mission of USAID is to promote long-term, sustainable development abroad, helping countries grow economically, strengthen democratic institutions, protect the environment, stabilize population growth, and deal with disasters and other humanitarian requirements. Currently, USAID has programs in about 100 countries, although the Agency has announced plans to reduce that number to 75 by the year 2000. Agency staff totals about 7,800, down from over 10,700 in 1993. The current level includes roughly 2,240 American direct hires, about 750 of which work overseas. In addition, USAID has about 5,500 American and foreign national contractors.

With USAID remaining an independent agency but placed under the direct authority of the Secretary of State, it is anticipated that initially there will be very little change in the way the agency operates and how it implements U.S. development assistance policy. At present, only USAID’s press office is slated to be consolidated with State, although the White House says that State and USAID will explore further options for coordinating or merging other administrative and program services.

⁶ Statement of the Hon. John D. Holum, Director, ACDA, Subcommittee on International Operations and Human Rights, Committee on International Relations, March 5, 1997.

USAID currently exists under the authority of Executive Order 12163, Administration of Foreign Assistance and Related Functions, and through International Development Cooperation Agency (IDCA) Delegation of Authority No. 1 of October 1, 1979. IDCA was created in 1979 as a small agency intended to serve as the overall coordinator of U.S. development aid policies and programs. USAID, which had been established in 1961 within the State Department, continued in existence after 1979 within IDCA. In practical terms, however, IDCA functioned to a very limited extent. After the IDCA Director appointed by President Carter left in 1981, no one has been named to fill the position. Instead, USAID Administrators have served in dual capacities as agency head and acting IDCA Director. The President's consolidation plan called for abolishing IDCA, but reconstituting USAID as an independent agency.

Although USAID has remained independent of the State Department since 1979, the two have maintained a somewhat ambiguous association with the USAID Administrator always operating under the foreign policy guidance of the Secretary of State. In practice, it appears that USAID's relationship with the State Department, both in Washington and in the field, has rested less on organizational lines of authority than on informal personal relationships between the Secretary and the Administrator, their chief deputies in charge of regional and functional bureaus, and U.S. ambassadors and USAID mission directors posted around the world. Most observers believe that having USAID fall under the direct authority of the Secretary of State will have little or no effect on how the agencies interact, and that coordination will continue to be driven more by the personal relationships of senior officials. What remains to be seen is whether the White House proposes to continue USAID as an independent agency through law, as USAID anticipates, or through a delegation of authority by way of the Secretary of State.

During 1995-96, USAID and its Administrator, Brian Atwood, vigorously opposed merging the agency into the State Department, based largely on two grounds: the unique nature of USAID's mission as a development agency and the achievements of agency management reforms since 1994 that have not been matched by State Department administrative improvements. In defending their position, USAID officials have emphasized the different nature of missions and problems dealt with by the State Department and USAID: State more often focuses on resolving short-term crises through diplomacy and political government-to-government relations while USAID, in pursuing its development strategies, requires a long-term, sustained effort to achieve results that might be compromised by State Department needs to divert resources for crisis management. USAID officials have further noted that for nearly three years the agency has been heavily engaged in organizational reforms and participating as an "experimental laboratory" in the Vice President's National Performance Review. USAID has closed 26 overseas aid missions, terminated relations with governments that were uncooperative development partners, and attempted to create a results-oriented accountability system against which the agency and Congress can measure results.

While still defending USAID's position as an independent agency, during the more recent round of interagency negotiations over consolidation plans, Administrator Atwood reportedly argued that whatever the outcome on the merger question, three elements of USAID operations must be protected: 1) USAID must continue to receive its development assistance funding directly and control its own budget rather than having the appropriations passed through the State Department; 2) USAID procurement and other administrative systems must continue for aid projects instead of using State's processes; and 3) the stature of the senior official heading U.S. aid programs and the development aid mission itself—whether it be within or outside the State Department—must not be downgraded. Based on the consolidation outlines released thus far by the White House, it appears that not only will USAID remain independent, but that Administrator Atwood's three requirements have been accommodated. Nevertheless, the outcome of the Administration's final plan and the requirement enacted in P.L. 105-277 for development aid funding to be allocated to

the Secretary of State could alter the preliminary arrangements reached in early 1997 regarding USAID's relationship with the State Department.

According to current plans, there will be only one minor change for USAID during the initial stage of the consolidation proposal: some portions of its small press office of about 10 staff, with an annual budget of roughly \$670,000, will merge with State's press bureau. But in subsequent phases of the reorganization, the White House says that other issues will be considered that could possibly have more significant impact on USAID programs and operations.

Among the most important issues for future consideration would be efforts to better coordinate USAID and State Department regional and functional bureaus. The creation in 1993 of State's Global Affairs Bureau, a unit that oversees the Department's policy formulation of, among other things, international environment, population, and democracy building issues, established a parallel and somewhat overlapping office with USAID's Global Bureau. The USAID global unit sets aid policy on these same issues and administers large amounts development assistance resources. Reportedly, there have been continuing disagreements between State and USAID on policy prioritization and aid funding allocations, especially in the areas of the environment and population. Whether to consolidate and where to locate State Department's refugee and USAID's disaster offices has also been an issue in the past.⁷ On regional issues, USAID administers U.S. aid programs in Eastern Europe and the former Soviet Union, but a special advisor to the Secretary of State plays the lead role in policy formulation and exercises extensive guidance for implementing aid programs in the region. These are some of the most likely areas Administration officials may examine over the next year in search of further ways to eliminate duplication between the two agencies.

The reorganization text in H.R. 1757, as passed by the House, was generally in line with the White House's April proposal for USAID. The bill abolished IDCA immediately and permitted the President to determine how IDCA responsibilities would be redelegated. Consistent with White House intentions, the legislation required USAID to transfer its press office and certain unspecified administrative functions to the State Department, and come under the direct authority and foreign policy guidance of the Secretary of State. Bipartisan agreement on the final reorganization provision in H.R. 1757 came after an earlier contentious debate over text that appeared to move USAID more closely under control of the State Department. As introduced, H.R. 1757 transferred IDCA functions directly to the Secretary of State and moved several other USAID functions, including non-specialized procurement, travel and transportation, facilities management, and security operations, to the State Department. The House early in the debate of H.R. 1757 had defeated (202-224) an amendment by Representative Hamilton to remove these and other reorganization provisions opposed by the Administration. Later in the debate, however, the House, under a Gilman/Hamilton bipartisan agreement, revised the USAID provisions accommodating Administration concerns.

Unlike the House provision and the White House plan, legislation passed by the Senate placed the State Department in much more direct control of USAID policy making, funding allocation decisions, and personnel management. Specifically, the bill:

- Transferred IDCA functions to the Secretary of State, except for those relating to the Overseas Private Investment Corporation which remained with USAID.
- Allocated aid funds previously apportioned to IDCA to the Secretary of State.

⁷ USAID contends that a transfer of refugee programs from State to its own Office of Foreign Disaster Assistance would result in a staff reduction of 25 and a savings of about \$20 million. Similar arguments could be made for shifting USAID's disaster office to State's refugee bureau.

- Required the reorganization of USAID to occur no later than October 1, 1998, one year earlier than planned by the Administration.
- Transferred to the State Department press affairs functions, as proposed by the White House, as well those of public affairs and legislative affairs.
- Granted the Secretary of State direct authority to coordinate all U.S. economic aid programs, projects, and activities, including the design of broad assistance strategy and the arbiter for resolving policy, program, and funding disputes among U.S. government agencies.
- Required USAID to detail its personnel, upon request, on a nonreimbursable basis to the Department of State.

The revised reorganization legislation that passed Congress on October 21, 1998, generally follows the Senate proposal regarding USAID, but accommodates a few key Administration concerns. Only the press office and certain administrative functions, as proposed by the White House, would transfer to the State Department. While the Secretary of State would still coordinate U.S. economic assistance policy, as the Senate recommended, the Secretary would “approve,” but not “design,” overall aid and cooperation strategy. Nevertheless, the enacted bill directs that aid funds currently allocated directly to USAID by way of IDCA, be apportioned to the Secretary of State.

Reorganization Chronology

04/12/96— President Clinton vetoed H.R. 1561, legislation authorizing U.S. foreign policy programs for FY1996/97. Among reasons for rejecting the bill, the President cited the requirement to abolish one foreign affairs agency and to submit a reorganization plan saving \$1.7 billion over four years.

04/18/97— The White House announced plans to reorganize U.S. foreign policy agencies, affecting the State Department, the Arms Control and Disarmament Agency (ACDA), the United States Information Agency (USIA), and the Agency for International Development (USAID).

05/01/97— A 120-day Executive branch review period began during which working groups would draft specific elements of a consolidation proposal.

06/03/97— Representative Gilman introduced H.R. 1757, the Foreign Relations Authorization Act, FYs 1998/1999. Division A of H.R. 1757 outlined foreign affairs agency reorganization authority. (Previously, the House International Relations Committee had marked up and reported similar legislation (H.R. 1486, H.Rept. 105-94); H.R. 1757 included the reorganization elements of H.R. 1486.)

06/04/97— During floor debate on H.R. 1757, the House rejected (202-224) an amendment by Representative Hamilton to give the President more discretion over developing a reorganization plan.

06/11/97— The House agreed (voice vote) to an amendment to H.R. 1757 by Representatives Gilman and Hamilton revising portions of agency consolidation to accommodate Executive branch concerns. The House passed H.R. 1757 (voice).

06/13/97— The Senate Foreign Relations Committee reported S. 903, the Foreign Affairs Reform and Restructuring Act of 1997 (S.Rept. 105-28). Division A included provisions reorganizing foreign affairs agencies.

06/17/97— The Senate incorporated the amended text of S. 903 into H.R. 1757, and approved H.R. 1757 (90-5).

07/29-30/97—House/Senate conferees met on H.R. 1757, but did not finalize.

11/09/97— The Senate passed H.R. 2607, after amending it to include modified text reflecting preliminary House/Senate conference agreements on foreign affairs agency consolidation. The House subsequently deleted the reorganization issue from H.R. 2607.

11/13/97— Efforts by House leaders to introduce new legislation combining foreign affairs consolidation with IMF funding, U.N. arrears authorization, and international family planning restrictions related to abortion, collapsed in the face of a Presidential veto threat.

12/19/97— Secretary of State Albright announces that ACDA Director John Holum will also be Acting Under Secretary of State for Arms Control and International Security Affairs.

03/10/98— Conference Report on H.R. 1757 is filed.

03/26/98— Measure passes in House by voice vote.

04/28/98— Measure passes Senate by a vote of 51 to 49.

10/19/98— Conference report on the Omnibus Consolidation and Emergency Supplemental Appropriations Act of 1999 (H.R. 4328) is filed in the House. Division G of H.R. 4328 includes slightly revised foreign affairs agency consolidation authority.

10/21/98— Congress clears H.R. 4328 and the President signs the bill, including agency reorganization, into law (P.L. 105-277). Separately, President Clinton vetoes H.R. 1757 because of international family planning policy and abortion restrictions.

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